

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 856 – HB 1170

February 12, 2013

SUMMARY OF BILL: Revises the *Tennessee Athletic Commission Act of 2008*. Decreases, from \$50,000 to \$25,000, the amount of medical insurance coverage required to be a licensed promoter of professional contests of unarmed combat.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – Beginning in FY13-14, recurring revenue to the Tennessee Athletic Commission, from the collection of license fees, event permit fees, and gate taxes, is estimated to be \$2,200.

Assumptions:

- Reducing the amount of medical insurance necessary will result in additional issuances of professional unarmed combat licenses and additional scheduled fights.
- Currently, professional promoters are required to hold licenses, whereas, amateur promoters are not.
- Amateur promoters are required to hold medical insurance coverage in the amount of \$20,000; professional promoters in the amount of \$50,000.
- Reducing the medical insurance coverage required for professional promoters, from \$50,000 to \$25,000, will likely cause at least one current amateur promoter to become a professional promoter. As a result, one current amateur promoter will become a professional promoter. In addition, there will be one new professional promoter.
- A professional promoter license is good for two years; after such time, a promoter will then be required to reapply.
- A professional promoter's license costs \$550 (\$500 licensing fee + \$50 application fee). The annualized increase in licensure fee revenue to the Tennessee Athletic Commission is estimated to be \$550 annually $[(\$550 \times 2) \div 2 \text{ years}]$, beginning in FY13-14.
- A gate tax of four percent of gross receipts or \$500 minimum is required from such professional promoter's events.
- Each new professional promoter will hold one unarmed combat event per year and will pay a gate tax of \$500 to the Tennessee Athletic Commission (TNC). As a result, the recurring increase in gate tax revenue is estimated to be \$1,000 $(\$500 \times 2)$ beginning in FY13-14.

- Prior to a professional event, a promoter is required to purchase a \$300 event permit. Assuming two new events are held each year, the recurring increase in event permit revenue is estimated to be \$600 per year beginning in FY13-14. Such revenue remains with the Commission.
- License revenue, gate tax revenue, and event permit revenue stays with the Commission unless such revenue collected is sufficient to cover the Commission's expenses for a period of three years or more; in these cases, the revenue is allocated to the General Fund. According to Commission, this has never occurred; as a result, it is assumed such monies will remain with the Commission.
- The total recurring increase in revenue to the Commission is estimated to be \$2,150 (\$550 + \$1,000 + \$600).
- Prior to being issued a professional promoter's license, the potential licensee is required to post a surety bond with the state in an amount no less than \$25,000.
- It is estimated that there will be \$50,000 in surety bonds provided to the state by two new promoters (\$25,000 x 2). This amount will not be invested, but will be kept as collateral.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/jdb